

EXHIBIT U

Apr 21, 2011, 10:24am EDT

JBS: The Story Behind The World's Biggest Meat Producer



kblankfeld@gmail.com Former Contributor ⓘ

Leadership

(This story is from the May 9th issue of Forbes, on stands today)

All You Can Eat

The story goes that when Wesley Mendonça Batista arrived in Greeley, Colo. in 2007 from Brazil he sported the basic cowboy gear of jeans, boots and hat. He spoke no English and made a point of getting blood on his hands-- showing butchers at his newly acquired Swift how to carve out the most dollars' worth of cuts from a cow's carcass.



JBS CEO, Wesley Batista, at his Sao Paulo office.

Cut to four years later and Batista, 41, is sitting in the lobby of the InterContinental Hotel in New York City looking through a presentation, in English, his dark hair combed back and wearing an expensive suit, a tightly knotted red tie and dress leather shoes. He's got a BlackBerry at hand with

CALIFORNIA RESIDENTS: If you would like to exercise any of your state consumer privacy rights, contact us by clicking here: [Do Not Sell My Info](#). To opt out of personalized advertising or manage cookies on this site, click "More Info". See our [Privacy Statement](#) to learn more.

OK

More Info

brothers and I] grew up inside the butchering business, we know the business, but there's a little bit of myth [about how we got here], too."

Here meaning running family-controlled [JBS S.A.](#), the world's largest meat producer, ranked 766 in [The Global 2000](#) list of the world's biggest companies. In the last four years JBS has participated in 13 transactions, including the acquisition of U.S. grocery-store staples Swift, Smithfield Beef and Pilgrim's Pride. Few Americans have heard of JBS, yet it is responsible for 22% of the U.S. beef supply. Some 70% of its revenue comes from its U.S. operation. "It's in our DNA to grow," says Batista.

But that acquisition frenzy, which also extended to Australia and Argentina, larded JBS with \$6.9 billion in debt. Some analysts worried JBS was overeating. The firm lost \$160 million in 2010 on about \$33 billion in sales, mainly because of the cost of integrating Pilgrim's and Brazilian meatpacker Bertin. Investors got queasy: JBS' stock, traded in Brazil's Novo Mercado, dropped by 30% in the last year. Other meat producers, including JBS' main rival, [Tyson Foods](#), are also dealing with income woes, mainly because of spikes in corn prices that increased the costs of raising cattle.

JBS' focus now is to make good on its acquisition binges by reducing its debt from three to two times Ebitda by the end of 2012 and increasing its 3.6% net margins (the industry ranges from 3% to 6.1%). Batista says JBS was being opportunistic in the recession. Now that the recovery is in full swing--sales, excluding acquisitions, were up 14% in 2010--he'll focus this year on integration.

Together with their father, José Batista Sobrinho, who started the business in 1953, the six siblings that control JBS share a \$2.6 billion stake in the

CALIFORNIA RESIDENTS: If you would like to exercise any of your state consumer privacy rights, contact us by clicking here: [Do Not Sell My Info](#). To opt out of personalized advertising or manage cookies on this site, click "More Info". See our [Privacy Statement](#) to learn more.

OK

More Info

slaughterhouse, boosting the number of cattle slaughtered to 100 a day. Two years later another abattoir upped capacity to 500 a day.

Meanwhile, his family also grew: three boys, José, Wesley and Joesley, and three girls, Vanessa, Vivianne and Valere. The boys learned the business alongside their father, although Batista says his father was the only true hands-on butcher in the family; he and his brothers would buy and sell oxen, negotiate with clients and learn the inner workings of the industry. At 17 each dropped out of high school to manage the various slaughterhouses the family owned.

"[Our background] isn't academic," says Batista. "We have the background of life, we learned by living." José, the eldest, led the company through its initial growth spurt, but in 2005, after 20 years at the helm, he decided to explore a career in politics, which ultimately didn't take off. José remains on JBS' board, serving as a consigliere to his brothers. At 77 Sobrinho is also an adviser but mostly focuses on the ranch, leaving the day-to-day details to his sons. His daughters are also on the JBS board.

JBS succeeds, says Batista, because the family prizes action with the simplest approach possible. He frowns on bureaucracy and encourages agility, efficiency and decisiveness. In 1996 Batista brought on Jeremiah O'Callaghan, now JBS' investor-relations director, with the charge of taking JBS global. The Batistas gave O'Callaghan free range to develop new products and packaging and to train employees on food safety and different regulations. "I was like a kid in a toy store," says O'Callaghan. "I found a company that said just go ahead and do it."

Twenty years ago the brothers wanted to expand regionally "So we did "

CALIFORNIA RESIDENTS: If you would like to exercise any of your state consumer privacy rights, contact us by clicking here: [Do Not Sell My Info](#). To opt out of personalized advertising or manage cookies on this site, click "More Info". See our [Privacy Statement](#) to learn more.

OK

More Info

In 2007 it launched an IPO in Brazil. That's when its international acquisition spree really took off, with the help of Brazil's development bank, BNDES, which finances businesses across Brazil's spectrum (in 2010 its disbursements reached \$100 billion). In 2007 it made its first investment in JBS--about \$390 million. Today it controls 20.6% of the company.

Swift presented JBS with the perfect opportunity, says Batista: It was the worst-performing company in the U.S. beef market while other companies were performing relatively well. For JBS Swift's problem was clearly a question of poor management. It paid \$225 million in cash and assumed \$1.2 billion of Swift's debt, bringing JBS 12 plants in the U.S. and Australia and adding 23,000 head of cattle slaughtered per day. Before the contract was signed, Batista, who spoke practically no English at the time, decided that to turn the company around he'd have to move his wife and three young children to Greeley. He spent the 45 days before closing the deal with a translator interviewing 300 Swift employees. He likens the experience to being a soccer team manager: "When you're a new manager the first thing you have to do is get to know the team."

While Batista focused on operations as chief executive of JBS USA (the company's American subsidiary), Joesley stayed in Brazil as JBS' chief executive, focused on finance. The two remained in frequent contact. "They're always talking, always debating," says Callaghan. "They use their skills to complement each other."

In 2009 JBS took another plunge when it merged with Brazilian meatpacker Bertin S.A. It also diversified into poultry, paying \$800 million for a 64% interest of Pilgrim's Pride. It pulled Pilgrim's out of bankruptcy in a deal

CALIFORNIA RESIDENTS: If you would like to exercise any of your state consumer privacy rights, contact us by clicking here: [Do Not Sell My Info](#). To opt out of personalized advertising or manage cookies on this site, click "More Info". See our [Privacy Statement](#) to learn more.

OK

More Info

reorganization process, says although JBS has been part of the company's corporate reorganization, it did not interfere in chicken operations. By the end of 2010 Pilgrim's had managed to reduce its debt from \$2.1 billion to \$1.3 billion.

Being a diversified global protein producer has allowed JBS to navigate the market in a way few others can. In 2008, for instance, when the European Union restricted Brazilian meat, alleging breeders weren't complying with EU traceability measures, JBS took advantage of its Australian subsidiary to export to Europe. (Brazilian beef exports to the EU resumed in 2009.) No Brazilian meat producer can export cuts to the U.S. because of U.S. safety rules. JBS has its own U.S. subsidiary. Also, since it produces three different proteins--beef, pork and chicken--it can hedge.

Global expansion has its limits. In 2008, when JBS announced it was buying National Beef Packing, the U.S.' fourth-largest beef processor, regulators in Washington filed an antitrust lawsuit asserting the acquisition would impose a "fundamental restructuring of the U.S. beef-packing industry" and "eliminate head-to-head competition," hence bringing up consumer prices. In 2009 JBS abandoned the deal. Earlier this year, when rumors circulated that JBS was bidding for [Sara Lee](#), analysts questioned how JBS would finance the deal. The bid did not go through.

Could there be a U.S. IPO on the horizon? Maybe. JBS is in no rush--its priority is getting its house in order. Although Moody's has had a positive outlook on JBS since 2009, the company's debt-constrained cash flow has kept its rating at B1. To help balance its books, JBS plans to transfer some of the debt it holds in its Brazilian subsidiary to the U.S. division, creating a tax

CALIFORNIA RESIDENTS: If you would like to exercise any of your state consumer privacy rights, contact us by clicking here: [Do Not Sell My Info](#). To opt out of personalized advertising or manage cookies on this site, click "More Info". See our [Privacy Statement](#) to learn more.

OK

More Info

brothers, he does not think of it as a family business. "JBS is not run, if you will, for the sheer benefit of the family," he says. "[The family is] very responsible to the other shareholders and creditors. In that sense Wesley and Joesley run the company unlike many family-controlled businesses."

Even now JBS wouldn't necessarily pass on a new acquisition, should the "right opportunity" present itself, says Batista. He spends most of his time traveling--a week in the U.S. (he kept his Colorado home), a week in Australia and two weeks in Brazil. He visits factories, but most of the time he dons a suit and tie and meets with clients and investors. Ten years ago he never would have thought his family company would be in the U.S. "You reach a point and reach a certain reality, then you're ready for another reality," he says. "One step at a time."

Follow me on my [blog](#) and on [twitter](#).

uncaptioned

kblankfeld@gmail.com



Follow

Reprints & Permissions

ADVERTISEMENT

CALIFORNIA RESIDENTS: If you would like to exercise any of your state consumer privacy rights, contact us by clicking here: [Do Not Sell My Info](#). To opt out of personalized advertising or manage cookies on this site, click "More Info". See our [Privacy Statement](#) to learn more.

OK

More Info